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21 July 1962

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CENTRAL INTELLIGENCE BULLETIN



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*USSR - India - Communist China:

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[The USSR has consistently maintained that the dispute should be solved through negotiations. Moscow would probably not propose its good offices in an issue so fraught with diplomatic and emotional implications without first ensuring that both sides would be amenable to mediation.]

[The Indian Government in the past has spurned suggestions for third-party mediation or arbitration of this and other territorial disputes, and has consistently maintained that negotiations would be possible only if the Chinese withdrew from Indian-claimed territory. Nehru places a high premium, however, on what he regards as Moscow's implicit support of the Indian position, and he probably would be tempted to exploit a Soviet mediation offer not only to encourage Soviet "neutrality" but to increase pressure on Peiping to modify its claims. Nehru probably would seek Soviet backing for his long-standing proposal that, as a]

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basis for negotiations, both Indian and Chinese forces withdraw from any area claimed by either side, in effect creating a no-man's-land along the disputed frontier.

The Chinese have recently shown an increased interest in getting negotiations under way, largely as a result of the Indian military initiatives in Ladakh this spring. However, they have shown no willingness to negotiate on any basis other than Indian acceptance of

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Communist China: A speech in Canton on 1 July by the party boss of Central South China reflects Pei-ping's concern over the loyalty of the southern Chinese. Tao Chu, who is party first secretary in both the Central South China party bureau and Kwangtung Province, stated that the party must now take stronger measures against "counterrevolutionaries" because their criminal activities were becoming increasingly serious. The US consul-general in Hong Kong has reported mass arrests in Canton of individuals considered unreliable by the regime. This is presumably part of the campaign outlined by Tao Chu.

In addition to the increase in counterrevolutionary activities, the party boss admitted that public dissatisfaction, which he alleged is not disloyal in character, has risen because of "temporary" economic difficulties. He also admitted that the party has made certain mistakes in the past few years which it is now correcting.

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South Vietnam: [The grenade throwing incidents in Saigon on 20 July which marked the anniversary of the 1954 Geneva agreements may be followed by a sustained campaign of sabotage and terrorism in the capital area. In addition to cells already there, the Viet Cong are reported recently to have infiltrated 300 to 500 military personnel to conduct terrorist acts in support of an expected step-up in Communist military activity throughout the country this fall and winter. Refugees recently reported entering Saigon in large numbers could serve as cover for the infiltration of Viet Cong elements.]

[The objective of a terrorist campaign around Saigon would be to cause panic and to lower morale while forcing the Diem government to tie down elite troops in the capital region.]

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USSR MID-YEAR REPORT

SELECTED COMMODITIES	% INCREASE				ANNUAL PLAN 1962
	MID- 1961	MID- 1962	MID- 1961	MID- 1962	
PIG IRON (Million Metric Tons)	25.0	27.1	9.1	8.4	10.0
CRUDE STEEL (Million Metric Tons)	34.9	37.6	8.7	7.7	8.7
ROLLED STEEL (Million Metric Tons)	27.2	29.1	7.9	7.0	7.2
PETROLEUM (Million Metric Tons)	79.7	89.3	12.7	12.0	11.4
ELECTRICITY (Billion Kilowatt Hours)	157.0	180.0	10.5	14.6	11.9
INDUSTRIAL PRODUCTION			8.4	10.0	8.1
INDUSTRIAL PRODUCTIVITY			3.5	6.0	5.6
INVESTMENT (STATE PLAN ONLY)			8.0	25.0	8.1

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*USSR: The Soviet economy appears to have resumed the high level of industrial output of the first two years of the Seven-Year Plan (1959-65) after a turn downward in 1961. According to a TASS summary of the midyear plan fulfillment report, industrial production in the first half of 1962 was nearly 10 percent higher than that for the same period in 1961, a substantial improvement over the gain reported at this time last year. The plan as a whole was fulfilled by 103 percent and the production of most basic commodities continue to increase rapidly. Industrial labor productivity rose 6 percent over mid-1961, indicating that most problems of the switchover to a seven-hour day, which caused underfulfillment of last year's productivity plan, have been overcome.

TASS reports that state plan investment is up 25 percent, compared with 8 percent in the same period of 1961. This seems unusually high in view of provisions in the annual plan for an increase of 10 percent and because of the underfulfillment of the investment plan in the first quarter of 1962. The absence in the TASS summary of any further investment details makes it impossible to test the validity of the claimed increase. State housing construction, however, does show considerable improvement; a 26-percent increase over mid-1961 is reported. An increase of this magnitude probably means that this year's ambitious annual plan will be met and that the Seven-Year Plan for state housing will be fulfilled in spite of lags in construction schedules in the last two years.

Some improvement is also apparent in agriculture. Livestock herds in the socialized sector have increased, as has the procurement of meat and milk. The substantial increases--18 and 8 percent respectively--reflect, however, the poor performance in the first half

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of 1961 as well as favorable weather early this spring, Khrushchev's new cropping pattern, under which such crops as peas and corn are replacing grasses and fallow land, appears to have been widely adopted.

The report did not mention achievements in light industry, traditionally a weak spot in the Soviet economy. Last year the rates of increase dropped sharply, and several branches showed an absolute drop in production. The lack of information on progress in 1962 points to continued lags.

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Portugal: Foreign Minister Nogueira told US Ambassador Elbrick on 19 July that he would give him next week a long list of "problems" in US-Portuguese relations proposed by Lisbon for discussion with the US. The Portuguese appear to have adopted a somewhat more conciliatory attitude toward renewal of the Azores base agreement and intend the proposed discussions to pave the way for base negotiations. Lisbon's attitude on the Azores issue may result in part from Portuguese hopes that the US, in return for renewal, will pay Portugal enough to alleviate the increasingly heavy economic burden of the Angolan campaign. The defense budget was increased by 29 percent earlier this month to cover Angolan defense costs.

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In a parallel development, Portuguese officials also appear to be somewhat favorably disposed to a recent US suggestion that an independent "rapporteur"--selected by the UN and subject to Portuguese approval--visit Angola and prepare an impartial report.

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Tunisia-France: [The Tunisian Government is hopeful that Defense Secretary Ladgham's consultations in Paris, allegedly at the invitation of De Gaulle, will lead to negotiations to solve outstanding problems with France. These problems include transfer of remaining facilities at the French naval base at Bizerte, status of French nationals resident in Tunisia, indemnification of French property owners, and renewal of commercial and financial agreements. The resumption of diplomatic relations was announced on 20 July.]

[A Tunisian official has told the US Embassy that his government is prepared to discuss French technical aid in converting the Bizerte base to industrial and commercial use, with the understanding that the French military would evacuate during the conversion period. The Bizerte base has already been almost completely evacuated, and any agreement reached is likely to be only a formality. The southern portion of the base was formally handed over to the Tunisians on 30 June.]

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Singapore: [Leftist political parties are reportedly planning a passive resistance movement to close down all economic activities in protest against the imminent referendum on merger with Malaya and British Borneo. The referendum ballot is so phrased as to permit only a choice among forms of merger and no opportunity to vote against it. Since the Legislative Assembly is in recess, there are no parliamentary means of blocking the merger. Leftists dominate the labor force in Singapore, and [] a stop-work campaign could lead to violence and possible widespread communal disturbances.]

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The Deputy Under Secretary of State for Political Affairs

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The Director for Intelligence, The Joint Staff

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